

---

## FINDINGS AND RECOMMENDATIONS

---

### OVERVIEW OF THE NORTH CAROLINA BEACH PLAN

During the course of its eight meetings, the Joint Legislative Committee on the Potential Impact of Major Hurricanes on the North Carolina Insurance Industry heard presentations from various experts, groups, State agencies, and interested parties. At the Committee's initial meetings, Committee members received information on the mechanisms of the North Carolina Insurance Underwriting Association (NCIUA), more commonly referred to as the Beach Plan.

The purpose of the Beach Plan, as explained by Mr. Lee Dunn, Assistant General Manager, NCIUA, and Mr. Alvin Ashworth, Accounting Manager, NCIUA, is to serve as a market of last resort to make property insurance available to people who are unable to buy insurance through the standard or voluntary market. The Beach Plan functions as an insurance company by acting as an agent for insurers. All property and casualty insurers in the State are members of the Plan. By statute, the Plan covers two areas: (1) the barrier islands, referred to under the Plan as the beach area; and (2) 18 coastal counties, referred to as the coastal area. The Plan offers homeowners, dwelling, and wind only coverage in the beach area and homeowners and wind only coverage in the coastal area. Commercial coverage is also available under the Plan.

The Plan's members include all insurers authorized to write property insurance in North Carolina. All member companies share in the expenses, profits, and losses of the Plan. Each year that the Plan generates revenues in excess of claims paid, the Plan may elect to return the excess funds to the member companies or hold those funds as "surplus." The surplus is used to cover Plan losses where claims filed are greater than the premium received. Should claims exceed the revenues from premiums, the amount of surplus, and any applicable reinsurance, member companies are assessed by the Plan to pay the claims. Assessments are calculated based on a member's market share and are reduced by credits given for writing coverage in the beach and coastal areas. Providing credits against assessments for coverage written in the beach and coastal area was intended to encourage insurers to write such policies and limit the growth of exposure to risk in the Beach Plan.

The NCIUA's Plan of Operation is adopted by its Board of Directors and submitted to the Commissioner of Insurance for approval. The Plan of Operation sets forth the administration of the Plan including the membership and manner of election of members to the Board of Directors.

The Plan also files with the Commissioner for his or her approval rates for separate policies of windstorm and hail, policy deductible plans to be paid by property owners, and the percentage differential or surcharge for coverage offered by the Plan. The differential is a